

RD AN No. 3608 (1944-N)  
January 16, 2001

TO: State Directors and Rural Development Managers  
Rural Development

FROM: James C. Kearney  
Administrator  
Rural Housing Service

SUBJECT: Housing Preservation Grant (HPG) Program  
Fiscal Year (FY) 2001 Preapplications

**Purpose/Intended Outcome:**

This Administrative Notice (AN) and the attached information provide guidance for handling FY 2001 preapplications for the Housing Preservation Grant (HPG) program.

**Comparison With Previous AN:**

This AN replaces RD AN No. 3528 (1944-N) which expired September 30, 2000.

**Implementation Responsibilities:**

In the December 26, 2000, Federal Register, Rural Housing Service announced it would accept preapplications for HPG funding from December 26, 2000, through March 26, 2001. This 90-day period will be the only time during the current fiscal year that interested organizations or public agencies may apply for funds allocated to the State.

Attachment A to this AN contains additional information for processing FY 2001, preapplications. Attachment B, "Critical Dates - Fiscal Year 2001," contains a list of critical dates necessary for the timely administration of the program. The National Office must receive Exhibit G to RD Instruction 1944-N no later than May 18, 2001. **Please indicate on the Exhibit G the anticipated leveraging for each proposal.**

The National Office reserve funds will be used for natural disaster areas and targeted area programs. The National Office reserve funds will also be used to ensure that each state that has been allocated less than \$100,000 and chooses to return their funds to the National Office pool is able to receive one grant for no more than \$50,000.

EXPIRATION DATE:  
September 30, 2001

FILING INSTRUCTION:  
Preceding RD Instruction 1944-N

The states that received an allocation of under \$100,000 have the option of using their allocation to make two grants so that no one grantee receives more than 50 percent of the state allocation, or returning their allocation to the National Office pool. Once the State returns their allocation to the National Office, they may request one grant of no more than \$50,000 from the National Office pool.

The Rural Housing Assistance Grants (RHAG) provides flexibility in budget authority between programs. For FY 2001, State Directors will have the flexibility to transfer budget authority between the Section 533 Housing Preservation Grant program and the Section 504 Rural Housing Grant program. Because of the way the accounting system is currently configured, the National Office will have to make these transfers.

The RHAG transfers cannot be referred until after the last day for receipt of HPG preapplications in order to allow time to determine if funds are available for transfer. For FY 2001, State Directors will have the flexibility to transfer up to 25 percent of their initial allocations between the Section 504 Rural Housing Grant program and the Section 533 Housing Preservation Grant program with concurrence by the Administrator. The transfer of funds should be requested only when there is no demand for the funds in the HPG program. Requests for transfer of funds should be submitted to the National Office between March 26, 2001 and August 1, 2001, to ensure adequate processing time.

The appropriations act provides an earmark of \$1,200,000 in the RHAG programs for EZ/EC communities. For FY 2001, \$600,000 will be used in the HPG program. The maximum grant amount from the EZ/EC set aside is \$100,000. Special guidance for processing applications for those earmarked funds will be provided to you under separate cover.

Please review this material carefully. If you have any questions, please contact Tracee Lilly of the Multi-Family Processing Division, at (202) 720-9729.

Attachments

## ADDITIONAL INFORMATION

### Preapplication Notice

The State Office should notify all field offices and publish a notice in the local media. The notice should include the field offices where a preapplication package may be obtained and submitted, questions answered, and the open dates that preapplications may be received. States that will be using their state allocation should be aware that the 50 percent rule is mandated by statute. You should note that only a certain dollar amount was allocated to your state. States that intend to return their allocation to the National Office and request funds from the National Office pool must indicate in their notice, so that applicants are aware of the amount of grant they may request. The notice should also state that the preapplication must be either to assist individual homeowners or rental properties or cooperative housing projects. Any combination preapplication will not be accepted. However, an applicant may submit more than one type of preapplication. There will be no funds from the National Office for patchouts or additional projects. Exhibit G to RD Instruction 1944-N is still required to be submitted to the National Office.

### Additional Grants

Information about the status of prior grants should be made available to State Office approving officials when applications for additional grants are made. An additional grant may be made to a grantee when it has achieved or nearly achieved the goals established for the previous or existing grant. Grantees who have submitted incomplete or untimely reports, failed to properly monitor their own program, or lack the ability to run their own programs would not qualify for additional grants. Documentation is essential in order to deny continuation under this provision.

### Administrative Costs Budgeted or Charged as Program Costs

The HPG program is somewhat unique in that administrative costs must not exceed 20 percent of the HPG funds awarded to the grantee. The indirect cost ratio applies to the total cost of the project. Therefore, HPG administrative costs cannot be more than 20 percent of the total HPG funds.

### National Office Reserve

Reserve funds will be used first to ensure that each state with an allocation under \$100,000 that chooses to return their funds to the National Office is able to receive one grant from the National Office pool for not more than \$50,000. The remaining funds in the National Office reserve will be used for natural disasters and targeted areas. Priority use will be for natural disasters. However, states may nominate one targeted area for use of reserve funds, which may not exceed \$50,000. Such proposals may be part of a housing strategy in a targeted area program. The State Director must select the proposal that will best serve the community that is in the greatest need of the HPG program. The applicant must provide sufficient documentation in the proposal that indicates that there is a great need.

Please list any proposal that is nominated for National Office Reserve Funds along with the preapplications in Exhibit G to RD Instruction 1944-N. State Directors may request reserve funds by including sufficient documentation to support the reasons why it is in the Government's best interest to consider the request.

Applications for reserve funds for housing preservation in areas that have experienced a natural disaster may be accepted at any time during the fiscal year. However, funding from FY 2001 funds for such applications must occur prior to August 20, 2001, which is the HPG pooling date.

Preapplications for reserve funds other than natural disaster assistance must be received during the announced HPG application period that ends March 26, 2001. Applications for natural disaster are subject to the same requirements under our review and evaluation procedures as other preapplications; however, they do not need to be ranked. Applications nominated for the reserve funds must be submitted along with other information requested on Exhibit G to RD Instruction 1944-N, by May 18, 2001, along with a short justification for the nomination. Since the amount of funding remaining in the reserve for these nominated proposals will not be known until after the August 20, 2001, pooling, we will hold the lottery shortly after May 18, 2001, and advise the State Offices of the likelihood of their proposal being funded. State Offices will be advised of authorization of selected reserve projects shortly after the August 20, 2001, pooling.

CRITICAL DATES - FISCAL YEAR 2001

December 26, 2000	Notice in the Federal Register of the preapplication deadline.
December 26, 2000	Opening date for the acceptance of preapplications.
March 10, 2001	Last day for publication of the 15 - day public comment process.
March 26, 2001	Closing date for receipt of preapplications.
April 13, 2001	Deadline for Field Office/State Office review of preapplications. Issuance of AD-622's, "Notice of Preapplication Review Action," to rejected or incomplete preapplications.
April 16, 2001	Last day for receipt by National Office of preapplications along with the priority scoring information for the EZ/EC REAP set aside funds.
April 25, 2001	EZ/EC and REAP projects to be funded will be selected.
May 4, 2001	Last day for completion of ranking process by the State Office.
May 18, 2001	Last day for receipt by National Office of Exhibit G to RD Instruction 1944-N, listing all preapplications received, reviewed, ranked, amount applied for, number of proposed units, and amount recommended by the State Office. Must include nominations for reserve funds.
June 1, 2001	Issuance of AD-622's to selected and non-selected applicants.
June 29, 2001	Last day for obligations of EZ/EC and REAP set aside funds.
August 13, 2001	Last day for obligation of HPG funds and notifications per RD Instruction 2015-C (Copy sent to MFPD)
August 20, 2001	Pooling date of all unobligated funds and authorization of funds for proposals.
September 13, 2001	No further obligations permitted.